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~~SECRET~~

SUBJ: CHINA - NORTH KOREA/REPUBLIC OF KOREA RELATIONS (U).

(U) ~~(S)~~ SUMMARY: China is seeking to maintain its historic relations with North Korea as it rapidly develops economic, political-diplomatic, and military-to-military ties with the Republic of Korea (ROK).

(U) ~~(S)~~ KEY POINTS

(U) * ~~(S)~~ China maintaining economic, military ties to North Korea

(U) * ~~(S)~~ South Korean-Chinese relations rapidly developing

(U) * ~~(S)~~ China supports Four Party Talks

(U) ~~(S)~~ DISCUSSION

(U) * ~~(S)~~ China is trying to maintain its historical ties to Pyongyang

** Beijing continues to provide economic aid to North Korea, especially oil and foodstuffs

** China favors developing a political dialogue with the new North Korean leadership

** China maintains a bilateral defense treaty with North Korea; reassures Pyongyang in its dealings with foreign governments

** North Korea is clearly miffed at China for normalizing relations with ROK Sep 92

(U) * ~~(S)~~ China's new relationship with ROK rapidly expanding

** Leaders have held two summit meetings; Foreign Ministers frequently exchange views

** China is ROK's primary foreign investment market; current bilateral trade is five times 1991 level

** First PRC military delegation to ROK 07-14 Dec 96

(U) * ~~(S)~~ China prefers a stable, divided Korean Peninsula

** The Chinese officially support a peaceful unification process that is in accord with the will of the Korean people

(U) ~~(S)~~ BOTTOM LINE: China will maximize its influence on Korean affairs by dealing with both North Korea and ROK.